

REPORT / RECOMMENDATION



To: MAYOR AND COUNCIL

Agenda Item #: VI. B.

From: John Wallin, Finance Director

Action ☒

Discussion ☐

Date: February 5, 2013

Information ☐

Subject: PUBLIC HEARING – Consider Resolution No. 2013-25 Approving the Issuance of Obligations By the City of Lilydale, Minnesota to Finance A Project By Calvin Christian School of Minneapolis

Action Requested:

Hold public hearing and consider Resolution No. 2013-25 Approving the Issuance of Obligations by the City of Lilydale, Minnesota to Finance a Project by Calvin Christian School of Minneapolis

Information / Background:

Calvin Christian School issued taxable debt in 2008 for construction of an addition to the school. The School approached the City Council in March of 2008 to request the issuance of conduit debt. The City Council turned down the proposal at the time and the school issued taxable debt instead. Calvin Christian School recently approached staff concerning the issuance of tax-exempt conduit debt utilizing the City of Edina to refinance its taxable debt. Staff believes there is a potential that the City could issue debt approaching the \$10,000,000 limit for bank qualified debt, therefore, Calvin Christian School could not issue bank qualified debt through the City of Edina. Calvin Christian School has begun negotiations with several banks and the City of Lilydale for the issuance of tax-exempt bank qualified debt, however, as the project was within the City of Edina, The Edina City Council would need to hold a public hearing for the City of Lilydale to issue the debt.

The attached resolution was drafted by Calvin Christian School's Bond Counsel Fryberger, Buchanan, Smith and Frederick, P.A.. A letter from the School's consultant Steve Fenlon of Midwest Healthcare Capital with introductory remarks regarding the Calvin Christian School request for the public hearing is also attached.

The City would have no financial responsibility with the issuance of the debt being proposed.

Attachment:

Letter from Midwest Healthcare Capital, Calvin Christian School's consultant, with introductory remarks regarding their request for a public hearing.

Resolution No. 2013-25 Approving the Issuance of Obligations by the City of Lilydale, Minnesota to Finance a Project by Calvin Christian School of Minneapolis

MHC

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To: John Wallin
Cc: Randy Kroll
From: Steve Fenlon
Date: 1/23/13
Re: Introductory remarks regarding CCS request for public hearing

Calvin Christian School (“CCS”) has operated its school at its present site for more than 50 years. CCS is organized (under the auspices of the IRS) as a 501(c)3, nonprofit corporation as a school. As such, and subject to the close scrutiny of bond counsel a study has been undertaken to review the 2007 construction expenditures specifically allocating the costs to the spaces which serve as educational, administrative and athletic to ensure no issue with the “separation of church and state.”

As a qualifying nonprofit CCS has a right to access tax-exempt financing for qualifying spaces and original construction costs. CCS and Midwest Healthcare Capital have requested and obtained lending proposals from three area banks: one has been selected as the most attractive and a commitment is expected in the next few days. Refinancing at this juncture with low interest rates further reduced due to the tax-exempt, bank-qualified loan structure makes eminent sense in helping CCS continue to offer private school educations at reasonable tuition rates and still pay teaching staff a livable wage.

CCS consulted with the City of Edina several months ago and learned at that time, the City intended to issue more than \$10 million in bonds in 2013, which would prevent CCS’ note from receiving a bank-qualification designation. Since that designation is commonly a requirement in order to attract a bank lender, and since CCS has structured its offering assuming a bank lender, it pursued another issuer under the MN statute which allows for a nexus issuer, that is a community for whom its citizens benefit from the availability of the educational opportunities offered to students at CCS. The City of Lilydale has tentatively agreed to issue the note, of course subject to a public hearing being held by the City of Edina and the adoption of a resolution by the Edina City Council expressing the Council’s consent.

Therefore, we hereby request that the City of Edina hold the mandatory jurisdictional public hearing, and after that hearing and during the same meeting, consider and approve a resolution instructing the City of Lilydale to issue its tax-exempt, bank-qualified note which will refinance the existing long term indebtedness of Calvin Christian School. The City of Edina’s role in this transaction does not call for it to actually issue the note but is rather limited to holding a public hearing and directing the City of Lilydale to issue its note.

Thank you for your assistance in this matter. Calvin Christian School (campus does not include a church) has been a solid citizen in Edina and has provided an educational alternative to the citizens of Edina and south Minneapolis. CCS thanks the City of Edina for considering this request and expects that the City will take this step (one which does not result in risk or cost to the City) in recognition to the contributions CCS has made in assuring a broad and diversified educational opportunity to the citizens of Edina.

RESOLUTION NO. 2013-25**RESOLUTION APPROVING THE ISSUANCE OF OBLIGATIONS BY THE
CITY OF LILYDALE, MINNESOTA TO FINANCE A PROJECT BY
CALVIN CHRISTIAN SCHOOL OF MINNEAPOLIS**

BE IT RESOLVED, by the City Council (the “City Council”) of the City of Edina, Hennepin County, Minnesota (the “City”), as follows:

Section 1. Recitals.

1.01 Calvin Christian School of Minneapolis (the “Borrower”) located at 4015 Inglewood Avenue South, Edina, Minnesota, a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) desires to refinance taxable indebtedness incurred for the activities described below and a portion of the costs associated with the refinancing:

Improvements to the kindergarten through eighth grade, 180-student, school campus located at 4015 Inglewood Avenue South, Edina, Minnesota, which it owns and operates, consisting of: (a) constructing and equipping an 8,600 square foot addition to the existing main school building to provide a new lobby, media center (incorporating a library, computer lab, office and conference room), office suite (including a reception area, three administrative offices, a nursing office, a workroom and two single-stall restrooms); (b) constructing and equipping a 1,075 square foot addition to the west building to provide including a new entryway, a hallway and boys’ and girls’ restrooms; and (c) related renovation to existing areas to provide a staff room, a learning resource room and a tutoring room (the “Project”).

1.02 It is anticipated that the refinancing will be pursuant to an issue of tax-exempt obligations to be purchased by a lending institution which will require that such obligations be designated by the issuer thereof as “qualified tax exempt obligations” under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. Each issuer of “qualified tax exempt obligations” is limited to issuance of not more than \$10,000,000 of such obligations during each calendar year, whether designated or not.

1.03 It is anticipated that the City will issue obligations in calendar year 2013 in an amount in excess of \$10,000,000 to finance its own projects.

1.04 The City of Lilydale, Minnesota (the “Issuer”) has agreed to issue tax-exempt bank qualified revenue obligations, in one or more series, in an amount not to exceed \$1,500,000 (the “Obligations”) to finance the Project. The Obligations will be issued pursuant to Minnesota Statutes, Sections 469.152 through 469.165 as amended, relating to municipal industrial development (the “Act”).

1.05 Minnesota Statutes, Section 471.656 provides that a municipality may not issue obligations to finance the acquisition or improvement of real property located outside of the

corporate boundaries of the issuer unless the municipality in which the real property to be improved is located consents to the issuance of such obligations.

1.06 The tax exempt bond provisions of the Internal Revenue Code of 1986, as amended, require that each jurisdiction containing a project to be financed with tax exempt obligations hold a public hearing on the issuance.

Section 2. Public Hearing Held.

2.01 An initial resolution was adopted by the Council on February 5, 2013, scheduling a public hearing on the issuance of the Obligations and the proposal to undertake and finance the Project.

2.02 A Notice of Public Hearing was published in the *Edina Sun Current*, the City's official newspaper and a newspaper of general circulation, calling a public hearing on the proposed issuance of the Obligations and the proposal to undertake and finance the Project.

2.03 The City Council has, on March 5, 2013, held a public hearing on the proposal to undertake and finance, through the issuance of the Obligations by the Issuer, the portion of the Project located within the jurisdictional limits of the City, at which all those appearing who desired to speak were heard and written comments were accepted.

Section 3. Approvals.

3.01 The issuance by the Issuer of the Obligations to refinance the Project is approved.

3.02 The Mayor and the Clerk, or the authorized designee of any of the foregoing, are authorized and directed to execute and deliver such other documents or certificates needed by the Issuer from the City for the sale of the Obligations.

Section 4. Limited Obligation. The Obligations, when and if issued for the Project, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Issuer or the City. (There will, however, be a charge, lien or encumbrance on the Project, which is not an asset of the Issuer or the City.) The Obligations, when and if issued, shall recite in substance that the Obligations and the interest thereon, are payable solely from revenues received from the Project and property pledged for payment thereof, and shall not constitute a debt of the Issuer or the City.

Passed and adopted by the City Council on March 5, 2013.

ATTEST: _____
Debra A. Mangan, City Clerk

James B. Hovland, Mayor

STATE OF MINNESOTA)
COUNTY OF HENNEPIN)SS
CITY OF EDINA)

CERTIFICATE OF CITY CLERK

I, the undersigned duly appointed and acting City Clerk for the City of Edina do hereby certify that the attached and foregoing Resolution was duly adopted by the Edina City Council at its Regular Meeting of March 5, 2013, and as recorded in the Minutes of said Regular Meeting.

WITNESS my hand and seal of said City this ____ day of _____, 20__.

City Clerk

EXTRACT OF MINUTES OF A REGULAR MEETING OF THE
CITY COUNCIL OF THE
CITY OF EDINA, MINNESOTA

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Edina, Minnesota, was duly called and held at the City Hall located at 4801 West 50th Street, Edina, Minnesota, on Tuesday, March 5, 2013, at 7:00 p.m.

The following members were present: _____

and the following members were absent: _____

MOTION: Member _____ moved to adopt Resolution No. _____, entitled
“Resolution Approving the Issuance of Obligations by the City of Lilydale,
Minnesota to Finance a Project by Calvin Christian School of Minneapolis”

SECOND: Member _____

RESULT: On a roll call vote the motion was carried.

Ayes:

Nays:

Not Voting:

Absent: